

Banca Sistema S.p.A.

2016-2019 Stock Grant Plan

2016-2019 Stock Grant Plan Regulations

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1. Introduction

These regulations (hereinafter the “Regulations”) establish the rules for the implementation of the “2016-2019 Stock Grant Plan” (hereinafter the “Plan”) concerning the free assignment of the ordinary shares of Banca Sistema S.p.A. (hereinafter “Banca Sistema” or the “Company”) to key personnel of the Banca Sistema Group.

The articles of the Regulations are inseparable.

2. Definitions

In addition to the terms defined elsewhere in the Regulations, the following capitalised terms and expressions (and their grammatical inflections) shall have the meaning shown beside each term. The defined terms and expressions importing the masculine gender shall be treated as importing every gender and those importing the singular shall be treated as referring also to the plural.

Shares	The ordinary shares of Banca Sistema underlying this Plan, giving regular dividend rights and having a nominal value of EUR 0.12 each.
Assignment of Shares	The determination - subject to meeting the individual and company-level performance targets specified in the 2016 Remuneration Policies Document and in this Plan - of the number of Shares to be granted free of charge to each Beneficiary, as resolved by the Board of Directors at the end of each Cycle.
Banca Sistema or the Company	Banca Sistema S.p.A., having registered office in Milan, Corso Monforte no. 20, 20122, registered at the Milan Companies' Register under No. 12870770158.
Beneficiaries	The executives with strategic responsibilities and other “key personnel”, as identified in the 2016 Remuneration Policies Document, who will be granted a Bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, an amount equal to or above EUR 50,000.00 (fifty thousand).
Bonus	The variable component of remuneration for the financial year 2016 (payable in cash or in shares), as specified in the 2016 Remuneration Policies Document.
Transfer	Any transfer, including but not limited to, the sale, donation, pledge, usufruct, contribution or exchange of the shares, the granting of a beneficial interest on them or the forced sale of the shares, or any other form of disposal (free of charge or at a cost), which directly or indirectly transfers to a third party the ownership of the Banca Sistema ordinary

	shares or any associated right.
Cycle	<p>The period of time comprising the financial years in relation to which the Bank has set performance targets, to which the Assignment of the Shares free of charge is subject.</p> <ul style="list-style-type: none"> - 1st Cycle: 01/01/2016 - 31/12/2016 (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements); - 2nd Cycle: 01/01/2017 - 31/12/2017 (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements); - 3rd Cycle: 01/01/2018 - 31/12/2018 (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements); - 4th Cycle: 01/01/2019 - 31/12/2019 (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements).
Remuneration Committee or “RC”	The committee set up by Banca Sistema in implementation of the recommendations contained in the Corporate Governance Code of Listed Companies and in Bank of Italy Circular No. 285 of 17 December 2013 (Supervisory provisions for banks), as amended.
Board of Directors	The board of directors of Banca Sistema.
Executives with Strategic Responsibilities	The persons having direct or indirect powers and responsibility over the planning, management and control of the Company’s activities, including its directors (executive and non-executive).
2016 Remuneration Policies Document	The Document containing the remuneration policies of the Banca Sistema Group, which was approved by the ordinary Shareholders’ Meeting on 28 April 2016.
Business Day	Each calendar day, excepting Saturdays and Sundays and days on which banks are not open for normal business on the Milan market.
Banca Sistema Group or Group	Banca Sistema and the companies over which it has or may in the future have direct or indirect control pursuant to article 2359 of the Italian Civil Code and article 93 of the Consolidated Law on Finance (TUF).
Permanent disability	Any medically certified condition which permanently impairs the Beneficiary’s ability to work and that leads to the termination of the employment relationship.
Letter of Assignment	The letter that is sent by Banca Sistema to the Beneficiaries, indicating: (i) the value of the cash bonus; (ii) the number of Shares assigned; (iii) the

	Retention Period applicable to the assigned shares. Regarding the 1st Cycle only, the foregoing information that should be provided to the Beneficiaries in the Letter of Assignment can be provided in the Letter of Bonus Assignment, as detailed in the 2016 Remuneration Policies Document.
Plan	The 2016-2019 Stock Grant Plan, which is governed by the Regulations and the related documents and is drawn up by the Board of Directors, with input from the Remuneration Committee, and submitted for the approval of the Company's ordinary Shareholders' Meeting.
Price of the Shares	The price of Shares determined on the basis of the arithmetic average of the official prices achieved by the Banca Sistema shares on the MTA Italian Equities' Market - STAR segment in the last three months preceding the date the Board of Directors resolves on the Assignment of the Shares. A 5% discount is applied to the Price of the Shares determined as per above.
Regulations	This document and its annexes, which form an integral part thereof. It is approved by the Board of Directors and describes the legal and administrative rules associated with the 2016 Plan and the rights and undertakings of the Beneficiaries and the Company.
Retention Period	The period during which the Beneficiary undertakes not to transfer the assigned Shares.

3. Subject matter and purpose of the Plan

The Plan provides for the free Assignment of Shares, subject to meeting the performance targets specified in paragraph 7 below, which fully references the indicators envisaged in the Annex to the 2016 Remuneration Policies Document.

The assigned Shares give regular dividend rights and the Beneficiaries become the holders of all the related administrative and ownership rights on assignment of the Shares, without prejudice to the provisions specified hereinafter.

The Shares underlying the Plan will be issued on obtainment of authorisation from the Bank of Italy to increase the share capital, in compliance with regulations in force and in accordance with the methods established by the competent company bodies.

At the discretion of the Board of Directors, the Shares may also be assigned using Shares that are purchased and/or held by Banca Sistema.

By adopting the Plan, Banca Sistema intends to achieve the following aims:

- to link the remuneration paid to the Beneficiaries to the actual performance of the Company and to the

creation of value for the Banca Sistema Group, in line also with the objectives pursued in the Corporate Governance Code of Listed Companies;

- to direct key company resources towards creating value and adopting strategies to achieve medium-long term targets;
- to align the interests of Beneficiaries with those of shareholders and investors;
- to adopt retention policies aimed at increasing the loyalty of the Beneficiaries and incentivising them to stay with the Company or within the Banca Sistema Group;
- to motivate and increase the loyalty of the Company's existing management and develop the Company's ability to attract potential new managers, in accordance with practices in use in the banking sector.

4. Assignment of Shares

The Beneficiaries of the Plan are Executives with Strategic Responsibilities and other "key personnel", as identified in the 2016 Remuneration Policies Document, who are granted a Bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, an amount equal to or above EUR 50,000.00 (fifty thousand).

The free Assignment of Shares to each Beneficiary at the end of each Cycle is subject to specific individual and company-level performance targets being met, as detailed in paragraph 7 below. The achievement of the targets is verified by the Board of Directors, with input from the Remuneration Committee, subsequent to the approval of the consolidated financial statements as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 ("Implementation Period of the 2016-2019 Stock Grant Plan").

Slightly in departure from the above and in compliance with the 2016 Remuneration Policies Document, for those employed by the Company's control functions (including the Human Resources Department and the Manager responsible for preparing the Company's financial reports) the free Assignment of the Shares is subject to meeting qualitative targets only, which are to no extent linked to the Company's financial results. In detail, the Bonus adjustment mechanism based on the Company's performance, as per paragraph 7 of this Plan, is not applicable to such employees.

Following verification that the performance targets established in the Plan have been met, the Board of Directors calculates the number of Shares to be assigned to each Beneficiary at the end of each Cycle, taking into account the Price of the Shares.

Beneficiaries must also satisfy the following requirements at the date of Assignment of the Shares:

- have a permanent employment contract with the Company and not have taken a period of extended leave;
- not have given notice of resignation;
- not have been given notice of dismissal;
- not have mutually agreed to end of the employment relationship.

Beneficiaries are notified of the Assignment of the Shares in the related Letter of Assignment - of which two copies are prepared and signed by the Company - within 60 days of the approval of the consolidated financial statements referring to the relevant Cycle.

The Letter of Assignment will indicate:

- the value of the cash Bonus;

- the number of assigned Shares;
- a summary statement of the performance targets linked to the Plan;
- the Retention Period.

The Letter of Assignment includes a copy of the Regulations, which govern the Plan and form an integral part thereof for all intents and purposes.

5. Retention Period

In accordance with the Corporate Governance Code of Listed Companies and the prescriptions of Bank of Italy Circular No. 285 of 17 December 2013 ("*Supervisory provisions for Banks*"), as amended, the Plan provides for a Retention Period, of varying lengths in each Cycle of the 2016-2019 Stock Grant Plan and effective from the date of the financial year of the corresponding Cycle. More specifically:

- 1st Cycle: the duration of the Retention Period is 1 (one) year from the date of Assignment of the Shares associated with the 1st Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 3 (three) years;
- 2nd Cycle: the duration of the Retention Period is 6 (six) months from the date of Assignment of the Shares associated with the 2nd Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 2 (two) years;
- 3rd Cycle: the duration of the Retention Period is 0 (zero) days from the date of Assignment of the Shares associated with the 3rd Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 1 (one) year;
- 4th Cycle: the duration of the Retention Period is 0 (zero) days from the date of Assignment of the Shares associated with the 4th Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 6 (six) months;

Shares continue to be subject to the Retention Period even if the employment contract is terminated, except in the case of death or permanent disability of the Beneficiary; in these cases it does not apply.

The foregoing is without prejudice to the Beneficiaries' other rights with respect to the Shares.

Shares that are subject to a Retention Period remain in a time deposit managed by an intermediary authorized by the Company for the entire Retention Period.

Dividends and interest accrued during the Retention Period are paid into said time deposit account. Such amounts are released together with the Shares at the end of the Retention Period.

The Company reserves the right to use other Share deposit methods in order to improve the tax or financial effects of the Plan for the Company, in accordance with the applicable provisions of law.

The Shares will become freely tradeable at the end of the Retention Period.

6. Restrictions on the transfer of the entitlement to the free assignment of the Shares

The entitlement to be assigned the Shares free of charge is personal, granted to the named person and cannot be transferred or traded (except to heirs in case of death). Any attempted or completed Transfer of the Shares shall be deemed invalid and ineffective by the Company.

7. Performance targets

The free Assignment of the Shares is subject to meeting specific individual and company-level performance targets in each Cycle, as described hereinafter.

7.1 Company performance targets

With reference to each Cycle, the Assignment is subject to meeting the Bank's capitalisation and liquidity targets associated with the following indicators:

- **CET1 Ratio**
- **RORAC**
- **LCR**

With input from the Remuneration Committee, the Board of Directors verifies whether the capitalisation and liquidity targets associated with the foregoing indicators have been met, based on the targets levels specified in the RAF for the reference year, in accordance with the budget targets applicable for the relevant period.

If the capitalisation and liquidity targets relating to the foregoing indicators are not met, but the regulatory minimum threshold has been observed, the payment of the bonus is postponed to the end of the successive six-month period, subject to meeting the half-yearly capitalisation and liquidity targets set in the budget, to be verified by the Board of Directors at the end of the six-month period.

If the capitalisation and liquidity targets are below the regulatory minimum threshold, the Beneficiaries shall not be entitled to the portion of the bonus pertaining to that financial year.

On the other hand, if the capitalisation and liquidity targets relating to the foregoing indicators are met, the Beneficiaries shall be entitled to the deferred portion of the Bonus pertaining to that financial year and the amount payable will be adjusted on the basis of the ROE target for that year, as described below.

- If ROE for the period is above or equal to the target ROE (as defined in the Strategic Business Plan and in the budget): 100% of the deferred portion of the Bonus pertaining to the reference year is paid;
- If ROE for the period is lower than the target ROE by up to 14%: 75% of the deferred portion of the Bonus pertaining to the reference year is paid;
- If ROE for the period is lower than the target ROE by more than 14% but is equal to at least 49% of the target ROE: 50% of the deferred portion of the Bonus pertaining to the reference year is paid;
- If ROE for the period is lower than the target ROE by more than 49% but is still positive: the payment of 50% of the deferred portion of the Bonus pertaining to the reference year will be postponed to the following year, once again subject to the performance measurement mechanism, and paid only if the target ROE is met.

No Bonus is paid if ROE is negative.

7.2 Individual performance targets

In addition to the company-level performance targets described above, the Assignment of the Shares is also subject to meeting a range of individual quantitative and qualitative performance targets, which are defined by the Company and notified to employees.

The performance evaluation process is carried out yearly: each employee of the bank logs into the Banca Sistema web portal <http://stleoni.zucchetti.com/HRPortal/> and defines, together with their direct heads, the quantitative and qualitative targets for the following year.

Quantitative targets are assigned a measurement criterion to allow the verification of the results achieved.

By way of an example, some of the parameters used with respect to the different roles are described below.

Quantitative indicators:

Meeting the individual and area-level budget targets: these targets are the easiest to quantify and are associated mainly with the sales area and with functions where a certain quantitative parameter exists (volume of sales completed compared to budget, number of POS terminals sold compared to budget, annual cost funding savings compared to budget).

Value creation: these targets provide added value to a new product or a new service (contribution to marketing initiatives to achieve factoring targets, timely management of complaints, professional growth of colleagues).

Reduction of costs: operating cost reduction targets (reduction of consultancy costs, overtime, maintenance costs...)

Reduction of response times: these targets are linked to customer satisfaction, internal and external (timeliness of reporting adjustments to the budget, number of applications priced/headcount per pricing, timeliness in closing Open Issues reported by the control functions, timeliness in closing SME disputes).

Increase in efficiency: these targets are based on a comparison with the same activities performed in the previous years regarding the improvement of the overall performance of the Bank (reducing the percentage of operating errors, increasing the equivalent advertising value, compliance with project timelines).

Qualitative indicators:

The Group uses 4 qualitative indicators, each divided into 2 sub-indicators. These are included in the performance sheet provided on the aforementioned website. There are 4 performance levels:

- A) EXCEEDS THE REQUESTED LEVEL
- B) ADEQUATE FOR THE POSITION HELD
- C) ROOM FOR IMPROVEMENT FOR THE POSITION HELD
- D) WELL BELOW EXPECTATIONS FOR THE POSITION HELD

More specifically:

- the observance and respect of the “values” (integrity, independence, excellence, transparency, social and environmental responsibility) underlying Banca Sistema’s business activity, as well as of the applicable provisions and the Group’s Code of Ethics;
- customer retention and the appropriateness of relationships with customers;
- professional expertise and skills;
- constant dedication to work, cooperation with colleagues and teamwork;
- the ability to find effective and possibly innovative solutions, whilst continuing to pursue the objectives of sound and prudent management of the Company and its value over the long-term;
- the tendency to take responsibility for decisions and the timely achievement of the identified targets;
- the ability to use resources efficiently, involve and motivate staff and make sensible use of the delegation tool to promote growth;

- the containment of legal and reputational risks.

The achievement of the abovementioned performance targets is verified at the end of the relevant financial year by the Board of Directors, with input from the Remuneration Committee. Without prejudice to the prior verification of performance targets, the Assignment of the Shares is at the discretion of the Board of Directors (as specified in the letter of employment sent to each employee).

7.3 Calculation of the number of Shares to be Assigned to Beneficiaries

As highlighted in paragraph 4 above, subsequent to the determination of the value of the Bonus to be assigned in Shares in relation to each Cycle, the Board of Directors calculates the number of Shares to be assigned to each Beneficiary, taking into account the Price of the Shares. The actual number of Shares to be assigned is communicated to the Beneficiary in accordance with paragraph 4 above.

8. Specific events

On occurrence of specific events prior to the end of the Implementation Period of the 2016-2019 Stock Grant Plan, the relationship between the Bank and the Beneficiaries is subject to the following terms and conditions.

Dismissal, resignation, mutually agreed termination, retirement, disability and death

Beneficiaries who continue to have an employment relationship with the Bank at the end of the Implementation Period of the 2016-2019 Stock Grant Plan shall be entitled to receive the Shares free of charge at the conditions specified in the Regulations.

- (i) Beneficiaries shall lose the entitlement to receive the Shares free of charge, unless otherwise resolved on justifiable grounds by the Board of Directors, if their employment relationship is terminated by the Company on any grounds or if they resign from the Company for reasons other than those specified in sub (iii) below.

Expressly excluded from the above is any entitlement to the free Shares that arises during the notice period, whether worked or not.

Beneficiaries cannot claim any form of indemnity and/or compensation from the Company if their entitlement to receive the free Shares is lost, as per above.

- (ii) In the event of termination of the employment relationship by mutual agreement, the Beneficiaries maintain the entitlement to receive a portion of the Shares on a "*pro-rata temporis*" basis, subject to the level of achievement of the performance targets, to be verified - with reference to the date of termination of the employment relationship - at the exclusive discretion of the Board of Directors, with input from the Remuneration Committee.

The foregoing is without prejudice to any more favourable determination of the portion of assigned Shares that may be decided at the discretion of the Board of Directors.

- (iii) The prescriptions of paragraph 8.1.1 sub (ii) shall apply if the Beneficiary gains access to old age pension, contribution-based pension or permanent disability rights which result in the termination of the employment relationship.
- (iv) In the event of death of the Beneficiary, his/her heirs shall maintain the entitlement to receive the free Shares still to be assigned to the Beneficiary at the date of the death, to be assigned within 6 (six) months of that date.

- (v) In departure from paragraph 4 above, any Shares due pursuant to sub (ii), (iii) and (iv) of this paragraph shall be assigned within 6 (six) months from the date of employment termination.

The Shares shall be assigned to the Beneficiary via an authorised intermediary, at which each Beneficiary shall open a securities deposit in accordance with the instructions provided by the Company. The costs associated with the foregoing transactions shall be borne by the Company. Within the last day of the month in which the Shares are assigned, the Beneficiary will pay the Company an amount sufficient to cover any withholding taxes and/or contributions due from the Beneficiary. If such a sum is not received, the Company may deduct this from other amounts due to the Beneficiary for any reason, including salaries. The costs associated with the transfer or sale of the Shares subsequent to the Assignment shall be borne by the Beneficiary.

The Retention Period rules provided for in paragraph 5 above shall continue to apply.

It is understood that Beneficiaries shall maintain, mutatis mutandis, the rights acquired under the Plan if the individual employment relationship with the Company is terminated (mutually agreed or not) to take employment with another company of the Group.

9. General provisions

9.1 Plan management and administration

Without prejudice to the responsibilities of the Shareholders' Meeting, the Plan and the Regulations are approved by the Board of Directors, which also adopts resolutions on all related matters. Resolutions adopted by the Board of Directors on the interpretation and application of the Plan are final and binding for all interested parties.

The Board of Directors is responsible for the management of the Plan. It has operating powers in relation to the Plan and may delegate such powers.

9.2 Costs and tax-contribution system

The costs associated with the implementation and management of the Plan shall be borne by Banca Sistema. Beneficiaries shall bear the cost of any taxes and contributions due in connection with:

- the Assignment of Shares,
- the Shares held,
- the Transfer of Shares.

Banca Sistema shall act as the withholding agent in the cases envisaged by law, deducting the required taxes and contributions in accordance with laws in force. The Beneficiary undertakes to provide Banca Sistema with all the information necessary to properly fulfil its duties as the withholding agent, including those established by Banca Sistema.

9.3 Employment relationships

Access to the Plan is voluntary and involves no obligation on the Beneficiary's part to maintain the employment relationship, nor shall it give rise to any entitlement or expectation, present or future, including expectations of an "economic" nature which - directly or indirectly - arise out of or in connection with any relationship existing between the Beneficiary and the Company.

All benefits arising out of the Plan are extraordinary in nature and have no effect whatsoever on or in relation to the calculation of direct and indirect components of salary, which are governed by law and by the collective bargaining agreements.

9.4 Communications

Without prejudice to the prescriptions herein, all communications between Banca Sistema and the Beneficiary regarding these Regulations must be made in writing and delivered by registered letter with return receipt or by hand and signed for by the recipient and shall be construed as having been delivered on the date the communication is received by the addressee. Communications are to be addressed to:

- the registered office, for communications sent to Banca Sistema;
- the employee's address, as registered with Banca Sistema, for communications sent to the Beneficiary.

All documents requiring delivery under the Regulations should be forwarded to the foregoing addresses.

9.5 Personal data protection

The Beneficiaries expressly authorise the Company and its representatives and any parties involved in the management of the Plan to use their personal data for the purpose of the Plan in accordance with Italian Legislative Decree No. 196/03.

It is understood that all information relating to the Plan and the relationship between the Company and the individual Beneficiaries is strictly confidential and shall not be disclosed or forwarded to third parties, except where required by law.

9.6 Amendments to the Plan

Without prejudice to the prescriptions of the Regulations, the Board of Directors may amend the Plan when such amendments are deemed appropriate to comply with laws in force at any time.

The Board of Directors is vested with the necessary and/or appropriate powers to fully implement the Plan and to make any amendments to the Regulations, consistent with the essential content, objectives and purposes of the Plan approved by the Shareholders' Meeting and subject to applicable laws and regulations, specifically the "Supervisory provisions for banks concerning remuneration and incentives policies and practices" issued by the Bank of Italy.

The Board of Directors will notify the Beneficiaries of any amendments to the Plan within 10 business days from the date of approval.

9.7 Acceptance of the Regulations

By signing these Regulations the Beneficiaries express their full acceptance of the provisions and the terms and conditions provided for and governed herein.

9.8 Governing law

The Regulations are governed by Italian law and shall be interpreted accordingly.

9.9 Jurisdiction

Any dispute arising out of or relating to the Regulations shall be referred to the exclusive jurisdiction of the Court of Milan.

Signed as acknowledgement of receipt and full acceptance
